Elnusa (ELSA IJ)

Seismic Business To Boost 2H26 Earnings

Highlights

- **Seismic business to be recognised as revenue in 2H26.** The recognition can help boost revenue contribution from the upstream segment.
- **1H26 growth was driven by the logistics segment.** With this growth, ELSA plans to add 48 fuel tankers to support the higher demand in 2H26.
- Maintain BUY with a target price of Rp1,450.

Analysis

- **Expect a stronger 2H26.** Several projects incurred mobilisation and preparation costs in 1H26, while revenue will only be recognised once the relevant contractual milestones are achieved. This timing mismatch weighed on upstream margins, particularly in seismic projects, which typically have a two- to three-month lag between the recognition of mobilisation costs and invoicing once recording activities commence. The remaining seismic backlog exceeded Rp1t, comprising both offshore and onshore projects, including Kendahulu, Merak Corridor, Manggar or Juata, and Tedong. Some prospective projects could be converted into contracts in 2H26, while others are expected to commence in 2027. Meanwhile, growth in the downstream business was supported by higher fuel transportation demand outside Java, particularly in Kalimantan and Sumatra, as well as stronger industrial and marine fuel trading. To support the expected increase in demand during 2H26, Elnusa (ELSA) plans to add 48 fuel tankers.
- **Growth initiatives include chemical EOR, fuel infrastructure and international expansion.** ELSA began chemical enhanced oil recovery (EOR) activities at the Rama field in Jun 26, while the company is also developing the Palaran fuel terminal and Kolaka LPG terminal. International expansion will focus on Algeria and Libya, India and Southeast Asia.
- **Masela participation.** ELSA expects to support the Masela project through drilling-related services, wireline logging, cementing, perforation and production testing, subject to project requirements and coordination within the Pertamina group. Following injection at the Rama field, ELSA to support Pertamina Hulu Rokan at Minas Area D that started onstream on Jul 26. Additional opportunities are being considered at other Pertamina fields, supported by ELSA's polymer injection equipment and chemical supply capabilities.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	13,393	14,498	16,063	17,745	19,517
EBITDA	1,174	1,214	1,370	1,590	1,812
Operating profit	805	843	970	1,158	1,348
Net profit (rep./act.)	714	718	869	1,062	1,227
Net profit (adj.)	714	718	869	1,062	1,227
EPS (Rp)	97.8	98.4	119.0	145.5	168.2
PE (x)	6.9	6.9	5.7	4.6	4.0
P/B (x)	1.0	0.9	0.8	0.8	0.7
EV/EBITDA (x)	2.9	2.4	2.1	1.7	1.3
Dividend yield	5.8	7.3	8.8	10.8	12.5
Net margin (%)	9.9	10.0	9.9	10.2	10.4
Net debt/(cash) to equity (%)	-	-	-	-	-
Interest cover (x)	6.5	8.7	12.2	20.0	25.7
ROE (%)	6.6	6.1	6.7	7.5	7.8
Consensus net profit	-	-	849	962	1,062
UOBKH/Consensus (x)	-	-	1.0	1.1	1.2

Source: ELSA, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp675
Target Price	Rp1,450
Upside	+114.8%

Stock Data

Sector	Energy
Bloomberg ticker	ELSA IJ
Shares issued (m)	7,299
Market cap (Rpb)	4,963
Market cap (US$m)	280
3-mth avg daily t'over (US$m)	1.0

Price Performance (%)

52-week high/low: Rp1,050/Rp462

1mth	3mth	6mth	1yr	YTD
2.3	7.1	(16.0)	32.0	36.5

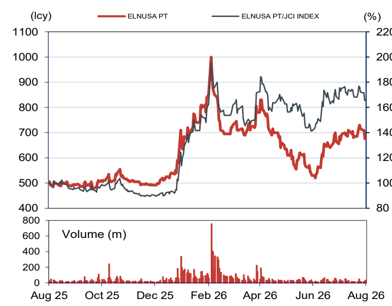
Major Shareholders (%)

Pertamina	51.1
Haiyanto Haiyanto	6.2
Panin Sekuritas	1.9

Balance Sheet Metrics

FY26 NAV/Share (Rp)	794
FY26 Net Cash/Share (Rp)	3,091

Price Chart



Source: Bloomberg

Company Description

Elnusa is an integrated oil services company. The company, through its subsidiaries, offers services that include geophysical data, drilling, and oilfield services. Elnusa also offers information technology services to the oil industry as well as other industries.

- **Rp100b buyback programme.** ELSA announced a share buyback plan worth up to Rp100b, running from 3 Aug 26 to 2 Nov 26, funded through internal cash. At the current price, ELSA can repurchase up to about 2% of its total shares outstanding.

1H26 Results

Year to 31 Dec (Rpb)	1H26	1H25	yoy (%)	2Q26	2Q25	yoy (%)	qoq (%)	1Q26
Revenue	7,586	6,965	8.9	3,970	3,238	22.6	9.8	3,617
Cost of Revenues	(6,864)	(6,241)	10.0	(3,604)	(2,897)	24.4	10.5	(3,261)
Gross Profit	722	724	(0.4)	366	341	7.3	2.7	356
EBIT	464	426	8.9	240	196	22.0	6.7	225
Other Op. income/ exp	40	(4)	(1,020.0)	34	(7)	(595.9)	494.5	6
Interest Income	67	76	(11.8)	37	40	(8.3)	23.6	30
Interest Expense	(31)	(58)	(46.5)	(15)	(29)	(47.0)	(0.6)	(15)
PBT	540	440	22.7	295	201	46.8	20.5	245
Income Tax Expense	(95)	(91)	4.5	(45)	(46)	(1.9)	(11.6)	(51)
Net Profit	435	336	29.2	245	150	63.6	29.3	190
Gross Profit Margin (%)	9.5	10.4	(8.5)	9.2	10.5	(12.5)	(6.4)	9.8
EBIT Margin (%)	6.1	6.1	0.0	6.0	6.1	(0.5)	(2.8)	6.2
Net Margin (%)	5.7	4.8	18.6	6.2	4.6	33.5	17.8	5.2
Per Segment								
Upstream O&G	2,063	2,309	(10.7)	1,058	1,019	3.9	5.3	1,005
O&G Support	606	772	(21.6)	310	315	(1.5)	5.2	295
Goods, Energy Distribution & Logistic	4,917	3,884	26.6	2,601	1,904	36.6	12.3	2,316

Source: UOB Kay Hian

- **Solid 1H26 earnings.** Revenue rose 8.9% yoy to Rp7.58t, EBITDA increased 16.2% to Rp862b, and net profit grew 29.2% to Rp435b. Distribution and logistics remained the key growth driver, with revenue and net profit up 26.6% and 54.4% yoy, respectively. Integrated upstream services contributed Rp2.06t in revenue and Rp99b in net profit, with earnings expected to improve in 2H26 on higher contract activity and transportation volumes. Subcontracting costs increased due to civil construction activities and third-party tanker usage. ELSA operated 2,400-2,500 tankers, of which 800-900 were company-owned. Contract backlog stood at Rp18.8t at end-Jun 26, following Rp11.6t of new contracts and Rp14.4t of contract absorption in 1H26.
- **Capex and cash utilisation.** Around Rp1.3t-Rp1.4t of cash is held by Elnusa Petrofin for working capital and tanker investments, while the holding company has around Rp900b. Cash will be used for productive capex, ongoing infrastructure projects and potential participation in oilfield management initiatives. Additionally, capex remained disciplined where ELSA had realised around 35% of its Rp602b 2026 capex budget, mainly for seismic equipment, coiled tubing and cementing units, fuel tankers, the Kolaka LPG terminal and supporting infrastructure.

Valuation/Recommendation

- **Maintain BUY with a DCF-based target price of Rp1,450** (WACC: 12.74%, terminal value growth rate: 0%). We see scope for a re-rating driven by: a) sustained contract wins and backlog conversion; b) an improving earnings mix; and c) potential corporate actions, including a merger with Pertamina Drilling Services Indonesia under Danantara's SOE consolidation initiatives; and d) ELSA potentially lifting its payout ratio to 50% from 40% currently, implying a 7.6% dividend yield.

Earnings Revision/Risk

- No earnings revision.

Share Price Catalyst

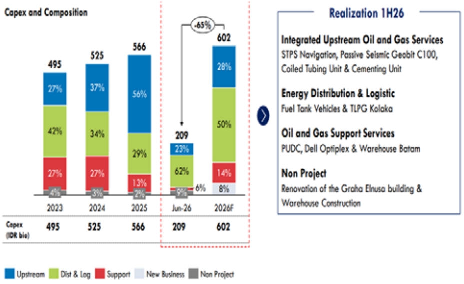
- a) Recognition of the seismic business, and b) Rp100b buyback.

1H26 Contract Performance

	Integrated Upstream Oil and Gas Services	Oil and Gas Support Services	Sales of Goods and Energy Distribution & Logistics Services
Carry Over 2025	Rp 12,3 Tn	Rp 2,8 Tn	Rp 6,5 Tn
New Contract	Rp 1,6 Tn	Rp 1,0 Tn	Rp 9,0 Tn
Contract Absorbed	Rp 4,5 Tn	Rp 1,4 Tn	Rp 8,5 Tn
Carry Forward	Rp 9,5 Tn	Rp 2,3 Tn	Rp 7,0 Tn

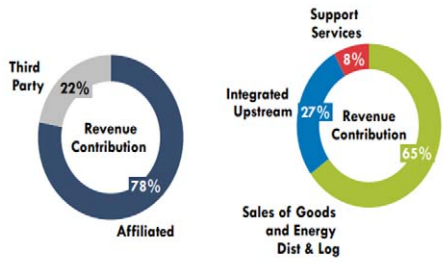
Source: ELSA

Capex And Composition



Source: ELSA

Revenue Contribution



Source: ELSA

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	14,498	16,063	17,745	19,517
EBITDA	1,214	1,370	1,590	1,812
Deprec. & amort.	370	400	432	465
EBIT	843	970	1,158	1,348
Total other non-op. income	39	39	50	60
Associate contributions	0	0	0	0
Net interest income/(expense)	31	102	158	166
Pre-tax profit	888	1,077	1,329	1,532
Tax	(170)	(209)	(267)	(304)
Minorities	0	0	0	0
Net profit	718	869	1,062	1,227
Net profit (adj.)	718	869	1,062	1,227

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	2,176	2,381	2,592	2,792
Other LT assets	964	982	1,001	1,020
Cash/ST investment	2,699	3,205	3,251	3,413
Other current assets	5,122	5,371	5,849	6,329
Total assets	10,961	11,938	12,693	13,553
ST debt	70	149	146	133
Other current liabilities	5,197	5,519	5,722	5,935
LT debt	122	125	127	130
Other LT liabilities	258	347	297	290
Shareholders' equity	5,313	5,798	6,397	7,064
Minority interest	2	2	2	2
Total liabilities & equity	10,961	11,938	12,693	13,553

Cash flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	17	1,308	1,188	1,402
Pre-tax profit	888	1,077	1,329	1,532
Tax	(170)	(209)	(267)	(304)
Deprec. & amort.	361	365	401	443
Working capital changes	(1,062)	74	(274)	(268)
Non-cash items	0	0	0	0
Investing	65	(588)	(630)	(661)
Capex (growth)	(555)	(600)	(630)	(662)
Others	0	0	0	0
Financing	(332)	(214)	(511)	(579)
Dividend payments	(359)	(434)	(531)	(614)
Issue of shares	(22)	(25)	(27)	(30)
Proceeds from borrowings	(123)	82	0	(11)
Loan repayment	0	0	0	0
Others/interest paid	98	89	(50)	(8)
Net cash inflow (outflow)	(251)	506	46	162
Beginning cash & cash equivalent	2,949	2,699	3,205	3,251
Ending cash & cash equivalent	2,699	3,205	3,251	3,413

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.4	8.5	9.0	9.3
Pre-tax margin	6.1	6.7	7.5	7.8
Net margin	5.0	5.4	6.0	6.3
ROA	6.7	7.6	8.6	9.4
ROE	14.1	15.6	17.4	18.2
Growth (% yoy)				
Turnover				
EBITDA	8.3	10.8	10.5	10.0
Pre-tax profit	3.4	12.9	16.0	14.0
Net profit	0.8	21.3	23.3	15.3
Net profit (adj.)	0.7	20.9	22.2	15.6
EPS	0.7	20.9	22.2	15.6
Leverage				
Debt to total capital	3.6	4.7	4.3	3.7
Debt to equity	3.6	4.7	4.3	3.7